

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION

DISTRICT OF COLUMBIA, a
municipal corporation,

Plaintiff,

v.

CREDIT DEBT SOLUTIONS, INC., a
Delaware corporation,

and

BARBARA CARR, individually, and
as Chairwoman of the Board of Directors of
CREDIT DEBT SOLUTIONS INC.,

and

JAMES A. KEHOE, III, individually
and as Manager of CREDIT DEBT
SOLUTIONS INC.,

Defendants

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Civil Action No. 03-004943

Judge Jeanette Jackson-Clark

Calendar No. 14

CONSENT ORDER AND FINAL JUDGMENT

Plaintiff District of Columbia ("Plaintiff") having filed a Complaint alleging violations of the Consumer Protection Procedures Act, D.C. Official Code § 28-3901 *et. seq.* (2001), and District of Columbia Charitable Solicitations Act, D.C. Official Code § 44-1701 *et. seq.* (2001), by Defendants Credit Debt Solutions Inc. ("CDS"), Barbara Carr and James A. Kehoe ("Defendants"), and it appearing to the Court that the Plaintiff and Defendants have resolved the matters in controversy between them and have consented to the terms of this judgment, as follows:

REPRESENTATION TO THE COURT

1. CDS represents that it served 139 consumers from its District of Columbia offices.

ORDER

NOW, THEREFORE, based upon the advice and stipulation of the parties, and cause appearing,

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS FOLLOWS:

2. Upon agreement of the parties, without any admission of liability or wrongdoing on the part of Defendants, and which liability or wrongdoing is expressly denied by Defendants, the Court hereby enters this Consent Order and Final Judgment.
3. The Court shall retain jurisdiction to enforce the terms and conditions of this Consent Order and Final Judgment.
4. Plaintiffs counsel, Wendy J. Weinberg and Bennett Rushkoff, are authorized as attorney-trustees, to establish a trust account with the estimated funds pre-paid by Defendants under paragraph "6" herein, with any financial institution in the District of Columbia.
5. Plaintiffs counsel, Wendy J. Weinberg and Bennett Rushkoff, may withdraw monies from the trust account to pay restitution to eligible consumers, after a final determination is made under this agreement as to the amounts due to those consumers and Plaintiff submits to this Court a statement of amounts due to individual consumers.

CONSUMER RESTITUTION

6. Defendants shall deliver a check made out to "D.C. Office of the Corporation Counsel IOLTA Account" in the amount of One Hundred Twenty Three Thousand, Nine Hundred Dollars (\$123,900), to Plaintiff at 441 4th Street NW, Suite 450-N, Washington DC, by July

18, 2003. This amount constitutes an estimated payment of the restitution potentially to be distributed to consumers under this agreement.

7. Defendants shall provide restitution to "eligible consumers" who made payments to CDS while the company was located within the District of Columbia (from March 2002 until closure of the company). A consumer is eligible for restitution 1) if any debt payment sent to CDS by that consumer was not forwarded to that consumer's creditors; or 2) if CDS failed to timely (within 60 days of the date of the consumer's "voluntary contribution" to CDS) obtain a reduction in that consumer's debt payments to that consumer's creditors, unless CDS can show that the failure to obtain the reduction in debt payments was the fault of the consumer or resulted from the baseless refusal of a majority of the consumer's creditors to agree to any reduction. (A consumer is eligible for restitution even if he/she only made a voluntary contribution to CDS and no subsequent debt payments to CDS, unless 1) CDS can document that it obtained interest rate reductions with the consumer's creditors on the majority of the accounts submitted by the consumer to CDS for management, within 60 days of the date of the consumer's voluntary contribution, or 2) CDS can show that the failure to obtain the reduction in debt payments was the fault of the consumer or resulted from the baseless refusal of a majority of the consumer's creditors to agree to any reduction.)
8. Restitution to an eligible consumer will consist of the total amount of: a) any debt payments made by the consumer to CDS that were not forwarded to the consumer's creditors, b) any voluntary contributions made by the consumer to CDS, and c) any account fees charged by CDS to the consumer. The standards of eligibility for a consumer and the availability of defenses to the Defendants shall be the same as those set forth in paragraph "7" herein.

9. Defendants will provide Plaintiff by July 17, 2003 with a complete list of all 139 consumers who made payments to CDS while CDS was located within the District of Columbia, including the names, full address and telephone numbers (work and home if available), and amounts that CDS concedes that those individual consumers paid to it (including the "voluntary contribution" and account fees).
10. If at any time subsequent to the date of this agreement, Plaintiff finds that CDS, while operating within the District of Columbia, received payments from any consumers in addition to the 139 consumers already named by Defendants, Defendants shall pay the full amount of restitution claimed by that consumer and supported by documentation (including but not limited to copies of: money orders, the front and backs of checks, and bank records of draft withdrawals from consumers' bank accounts issued to CDS) within two weeks of receipt of such claim from Plaintiff, plus an additional two hundred dollars (\$200) payment payable to the additional consumer. Defendants shall provide Plaintiff with proof of any such payment at the time that they make said payment. The standards of eligibility for a consumer and the availability of defenses to the Defendants shall be the same as those set forth in paragraph "7" herein. The 90 day limit for seeking restitution in this case, set forth in paragraph "12" herein, shall not apply to any consumers who made payments to Defendants while CDS was located within the District of Columbia but that Defendants failed to list among the 139 consumers named by Defendants pursuant to paragraph "9" herein.
11. On or about July 25, 2003, Plaintiff will send a letter to all consumers who made payments to CDS while it was located within the District of Columbia, in order to notify those consumers of their right to make a claim for restitution in this case in accordance with the eligibility

standards set forth in paragraph "7" herein. Defendants shall be entitled to the same defenses as provided in paragraph "7" herein. The letter will state the amount that CDS claims that the consumer paid to CDS, including the "voluntary contribution" and account fees, and provide the consumer with the opportunity to provide documentation to Plaintiff of additional amounts paid to Defendants, Defendants' failure to forward payments to the consumer's creditors, and/or Defendants' failure to obtain a reduction in the consumer's interest rates with the consumer's creditors.

12. Plaintiff's letter will inform consumers that they must return an enclosed questionnaire to Plaintiff within a specified time in order to make a claim in this case for restitution from CDS. Any consumers who do not respond to Plaintiff's letter within 90 days of the date of the letter will be foreclosed from seeking restitution in this case.
13. Following the 90-day period for submission of consumer claims, on or about October 25, 2003, Plaintiff will send to Defendants a list of all consumer claims plus any evidence submitted by consumers. Plaintiff will send this information to Defendants on or before November 17, 2003.
14. All communications sent to Defendants pursuant to this Consent Order and Final Judgment will be sent to Jeffrey Cohen, Esq., 10509 Judicial Drive, Suite 300, Fairfax, VA 22030, and to Leslie McAdoo, Esq., Chartered, 1900 L Street NW, #215, Washington, DC 20036.
15. Within two weeks after Plaintiff sends Defendants its list of consumer claims under paragraph "13", Defendants will send to Plaintiff any proof rebutting the consumers' claims. In order to rebut a consumer's claim, CDS will have to provide proof of a creditor's reduction in the consumer's interest rate, receipt of disputed funds by a consumer's creditors,

or forgery or alteration of documents submitted by the consumer as proof of payment to CDS. The burden will be on Defendants to rebut individual consumer's claims. Any consumers' claims not specifically rebutted by Defendants shall be deemed to be accepted by Defendants.

16. All communications sent to Plaintiff pursuant to this Consent Order and Final Judgment will be sent to the Office of the Corporation Counsel, Wendy J. Weinberg, ACC, 441 4th Street, N.W., Suite 450-N, Washington, DC 20001.

17. If necessary, Plaintiff will meet with Defendants at Plaintiff's office on or about two weeks following the date Defendants submit any proof rebutting consumers' claims pursuant to paragraph "15" above, in order to attempt to mediate any disputes over the amount of restitution due to individual consumers.

18. In the case that the parties are unable to resolve any individual consumer's claim for restitution, the parties agree to present that claim to the Court for resolution. Plaintiff agrees to move the Court for such a determination no later than two weeks after the date that the parties meet under paragraph "17" herein.

19. A final determination of eligible consumers' claims for restitution will occur if:

a) Defendants accept the consumers' offer of proof on the amount of restitution owed to them, pursuant to paragraph "15" herein, or b) the parties must meet to discuss the calculations of restitution and are able to resolve the amount owed by CDS, pursuant to paragraph 17 herein, or c) after meeting the parties are unable to resolve the amount of restitution owed by CDS, and must submit the matter to the Court, pursuant to paragraph "18" herein.

20. If after a final determination of all eligible consumers' claims for restitution, the total amount of restitution exceeds the sum of One Hundred Twenty Three Thousand, Nine Hundred Dollars (\$123,900) initially deposited in the aforesaid trust account, Defendants shall deposit, within one week of said final determination, such necessary additional amounts in said trust account.
21. If after a final determination of all consumers' claims for restitution, the total amount of restitution is less than the sum of One Hundred Twenty Three Thousand, Nine Hundred Dollars (\$123,900) initially deposited in the aforesaid trust account, Plaintiff will promptly return any overpayment to Defendants by check made out to Barbara Carr, mailed c/o Jeffrey Cohen, Esq., 10509 Judicial Drive, Suite 300, Fairfax, VA 22030.
22. If Plaintiff's total claim for restitution due to consumers under paragraph "13" is less than the One Hundred Twenty Three Thousand, Nine Hundred Dollars (\$123,900) deposited by Defendants, Plaintiff will promptly return the amount held in excess of the claims for restitution by check made out to Barbara Carr, mailed c/o Jeffrey Cohen, Esq., 10509 Judicial Drive, Suite 300, Fairfax, VA 22030.
23. Upon notice to the Court, Plaintiff will distribute the restitution due to individual consumers after the parties or the Court have determined the full amount of restitution due to all consumers, and either:
- 1) the amount of restitution already deposited by Defendants into Plaintiff's trust account has proven to be adequate, or
 - 2) the amount of restitution already deposited by Defendants into Plaintiff's trust account has proven to be inadequate, but Defendants have deposited any additional amounts due to consumers into Plaintiff's trust account, or
 - 3) the amount of restitution already deposited by Defendants into Plaintiff's trust

account has proven to be inadequate, and Defendants have failed or refused to deposit any additional amounts due to consumers, into Plaintiffs trust account.

AFFIRMATIVE RELIEF

24. IT IS FURTHER ORDERED that for each consumer who submitted payments to CDS that CDS failed to forward to that consumer's creditors, CDS will provide a letter to the three credit bureaus setting forth the date, amount, and number of payments provided to CDS that CDS failed to forward to the consumer's creditors, and explaining that the failure to make the payments was the fault of CDS.

25. CDS shall contemporaneously provide a copy to Plaintiff of each letter sent pursuant to paragraph "24" herein.

PROHIBITED PRACTICES

26. IT IS FURTHER ORDERED that Defendants and all other persons or other entities in active concert or participation with them, are hereby permanently restrained and enjoined from offering or providing credit counseling or debt management services 1) from any location in the District of Columbia or 2) to any consumer in the District of Columbia. This paragraph shall not prohibit Defendant Kehoe from seeking employment in the financial services industry as long as he is not offering or providing credit counseling or debt management services, or managing, supervising or otherwise overseeing others engaged in such activities.

MONITORING/COMPLIANCE

27. IT IS FURTHER ORDERED that Defendants Carr and Kehoe shall, within ten days after the date of service of this Order upon them, notify the Office of the Corporation Counsel in writing of their current business addresses, their current mailing addresses, and their current

employment status, including the name(s) and business address(es) of their employer(s), a description of any self-employment, the type of business(es) in which they are employed, and the nature of their employment duties. To enable the Office of the Corporation Counsel to monitor compliance with the provision of this Order, Defendants Carr and Kehoe shall inform the Office of the Corporation Counsel of any changes in any such information for a period of five years following the date of entry of this Order. Each such notification shall be in writing and shall be mailed to the Office of the Corporation Counsel within twenty days of the change to be reported.

SO ORDERED, this 4th day of

August

2003 at 5:22 p.m.

Jeanette Jackson-Clark

Judge Jeanette Jackson-Clark
Superior Court Judge

5 2003
5 2003

CONSENT TO JUDGMENT

1. Defendants and Plaintiff acknowledge that they have read the foregoing Consent Order and Final Judgment ("Consent Judgment"), are aware of their right to a trial in this matter and have waived that right.
2. Defendants and Plaintiff agree to the jurisdiction of the Court, and consent to entry of this Consent Judgment.
3. Defendants and Plaintiff state that no promise of any kind or nature whatsoever (other than the terms of this Consent Judgment) was made to induce them to enter into this Consent Judgment, that they have entered into this Consent Judgment voluntarily, and

that this Consent Judgment constitutes the entire agreement between Defendants and Plaintiff.


4. Barbara Carr represents that she is the Chairwoman of CDS and that, as such, she has been authorized by CDS to enter into this Consent Judgment.

FOR DEFENDANTS:

FOR PLAINTIFF:


CREDIT DEBT SOLUTIONS INC. By
Barbara Carr, Chairwoman

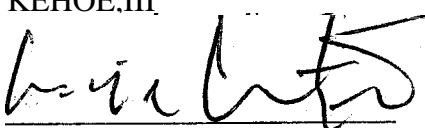
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